

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 7206**

**BILL NUMBER:** HB 1353

**NOTE PREPARED:** Jan 22, 2013

**BILL AMENDED:**

**SUBJECT:** Wagering Taxes.

**FIRST AUTHOR:** Rep. Dermody

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** The bill requires that wagers made by riverboat and racetrack casino patrons using noncashable vouchers, coupons, electronic credits, or electronic promotions provided by a licensee or operating agent be subtracted from the amounts received from gaming operations by the licensee or operating agent when calculating the adjusted gross receipts of the licensee or operating agent. (Under current law, cash paid out as winnings to patrons and a limited amount of uncollectible receivables are subtracted from the amounts received from gaming operations to calculate the adjusted gross receipts.)

The bill also replaces the riverboat admissions tax with a supplemental wagering tax. Provides that the supplemental wagering tax is 2.5% of the adjusted gross receipts of the licensee or operating agent.

**Effective Date:** July 1, 2013.

**Summary of NET state impacts:** A summary of impacts from provisions in the bill on state funds are specified in the table below:

ENTITY / FUND	FY 2014	FY 2015
State General Fund	(\$68.0 M - \$109.0 M)	(\$82.3 M - \$124.2 M)
IEDC	(\$0.3 M - \$0.31 M)	(\$0.3 M - \$0.31 M)
Thoroughbred Breed Fund	(\$0.4 M - \$0.7 M)	(\$0.4 M - \$0.7 M)
Standardbred Breed Fund	(\$0.5 M - \$0.9 M)	(\$0.5 M - \$0.9 M)
Quarter Horse Breed Fund	(\$0.05 M - \$0.09 M)	(\$0.05 M - \$0.09 M)
<b>TOTAL</b>	<b>(\$69.3 M - \$111.0 M)</b>	<b>(\$83.6 M - \$126.2 M)</b>

**Explanation of State Expenditures:** *Admissions Tax Replaced with a Supplemental Wagering Tax:* The bill repeals the \$3 per patron riverboat admissions tax and replaces it with a 2.5% supplemental riverboat wagering tax. It is estimated that this change could increase state General Fund expenditures by \$15.6 M to \$17.6 M in FY 2015 for guarantee payments to local units, the State Fair Commission, and the Division of Mental Health.

The bill maintains the guarantee under current statute that local units and state agencies receiving admissions tax revenue (supplemental wagering tax revenue under the bill) will annually receive an amount equal to their FY 2002 admissions tax distribution. It is estimated that the supplemental wagering tax could generate less revenue than the current admissions tax which would increase the annual supplemental payment from the state General Fund under the guarantee beginning in September 2014. (See Explanation of State Revenues for a more detailed discussion.)

**Explanation of State Revenues:** *Promotional Free Play Deduction for Riverboat Casinos and Racinos:* The bill reduces the taxable base for the riverboat wagering tax, the racino slot machine wagering tax, and the 15% payment to horsemen and other purposes beginning in FY 2014. The taxable base is reduced by allowing a deduction from adjusted gross receipts (AGR) from gaming for certain promotional allowances paid by the casino/racino to gambling patrons. The estimated impact on state funds from the free play deduction is summarized in the table below.

Tax Type	Fund Type	FY 2014	FY 2015
Riverboat Wagering Tax	State General Fund	(\$51.3 M - \$84.0 M)	(\$50.3 M - \$82.0 M)
Riverboat Wagering Tax	IEDC	(\$0.0 M - \$0.01 M)	(\$0.0 M - \$0.01 M)
Racino Slot Machine Wagering Tax	State General Fund	(\$8.9 M - \$14.8 M)	(\$8.6 M - \$14.3 M)
<b>TOTAL</b>		<b>(\$60.2 M - \$98.8 M)</b>	<b>(\$58.9 M - \$96.3 M)</b>

The revenue loss estimate assumes that levels of promotional free play provided by the riverboat casinos and racinos currently range from about 9% to about 15% of their AGR. This range is based on promotional spending reported by casinos in Pennsylvania and New Jersey. Some of the revenue loss from the promotional allowance deduction could be offset if the deduction induces additional promotional spending by the casinos and racinos, which in turn increases the aggregate amount of spending by gamblers in the state. A small portion of the wagering tax revenues from the French Lick casino is distributed to Indiana Economic Development

Commission (IEDC). The revenue loss estimates are based on the Revenue Technical Committee forecast (December 17, 2012) for gaming revenue.

The racinos are also required to pay 15% of their annual slot machine AGR to the following purposes:(1) Tobacco Master Settlement Fund; (2) Gaming Integrity Fund; (3) the state Breed Development Funds; (4) private horsemen's associations; and (5) horse racing purses. A portion of the 15% payment that exceeds a specified annual cap is deposited in state General Fund. The promotional free play deduction is estimated to reduce the AGR that is the basis for the 15% payment. The reduction would not affect the payments to the state Gaming Integrity Fund and Tobacco Master Settlement because these payments are fixed dollar amounts. However the reduction would reduce revenue to the other purposes which are percentage distributions, including distributions to the state Breed Development Funds which are administered by the IHRC. The reduction also would impact the distribution to the state General Fund. The impact on state funds is summarized in the table below.

Revenue Type	Fund Type	FY 2014	FY 2015
Racino 15% Payment	Thoroughbred Breed Fund	(\$0.4 M - \$0.7 M )	(\$0.4 M - \$0.7 M)
Racino 15% Payment	Standardbred Breed Fund	(\$0.5 M - \$0.9 M)	(\$0.5 M - \$0.9 M)
Racino 15% Payment	Quarter Horse Breed Fund	(\$0.05 M - \$.09 M)	(\$0.05 M - \$.09 M)
Racino 15% Payment	State General Fund	(\$2.8 M - \$4.7 M)	(\$2.7 M - \$ 4.6 M)
<b>TOTAL</b>		<b>(\$3.8 M -\$6.4 M)</b>	<b>(\$3.7 M - \$6.3 M)</b>

*Admissions Tax Replaced with a Supplemental Wagering Tax:* The bill repeals the \$3 per patron riverboat admissions tax and replaces it with a 2.5% supplemental riverboat wagering tax. It provides that local units and state agencies receiving admissions tax revenue, and the state General Fund, would receive supplemental wagering tax revenue in the same proportions as under the admissions tax. For local units, the State Fair Commission, and the Division of Mental Health that receive admissions tax revenue from riverboat casinos other than the French Lick casino, the supplemental wagering tax would be guaranteed up to the admissions tax distributions each of these entities received during FY 2002. Any shortfall in distributions to these entities would still have to be met through an annual supplemental distribution from the state General Fund. (Note: These distributions would also continued to be capped at the FY 2002 distribution level.) There is no such guarantee or cap for entities receiving revenue from the French Lick casino. Currently, 30.66% of the admissions tax revenues from the French Lick casino is distributed to the IEDC. The net impact on state funds from repealing the riverboat admissions tax and imposing the supplemental wagering tax on riverboats casinos is summarized in the table below.

Fund Type	FY 2014	FY 2015
State General Fund	(\$5.0 M - \$5.5 M)	(\$5.1 M - \$5.7 M)
IEDC	(\$0.3 M - \$0.3 M)	(\$0.3 M - \$0.3 M)
<b>TOTAL</b>	<b>(\$5.3 M - \$5.8 M)</b>	<b>(\$5.4 M - \$6.0 M)</b>

#### **Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Promotional Free Play Deduction for Riverboat Casino and Racinos:* The deduction reduces the taxable base for the riverboat wagering tax, some of which is distributed to local units, and the 3% county gambling game wagering tax (currently the county slot machine tax). The estimated revenue loss to local units receiving revenue from these taxes is summarized in the table below.

Local Unit	FY 2014	FY 2015
Switzerland County	(\$0.0 M - \$0.3 M)	(\$0.0 M - \$0.4 M)
Michigan City	(\$0.2 M - \$0.9 M)	(\$0.3M - \$1.1 M)
Rising Sun	(\$0.3 M - \$0.5 M)	(\$0.3 M - \$0.5 M)
East Chicago	(\$0.1 M - \$0.2 M)	(\$0.1 M - \$0.2 M)
Gary	(\$1.1 M - \$1.9 M)	(\$1.1 M - \$1.9 M)
French Lick	(\$0.1 M - \$0.2 M)	(\$0.1 M - \$0.2 M)
Orange County	(\$0.1 M - \$0.2 M)	(\$0.1 M - \$0.2 M)
Orange Co. Convention & Visitor's Bureau	(\$0.1 M - \$0.2 M)	(\$0.1 M - \$0.2 M)
Orleans	(\$0.0 M - \$0.1 M)	(\$0.0 M - \$0.1 M)
Paoli	(\$0.0 M - \$0.1 M)	(\$0.0 M - \$0.1 M)
West Baden Springs	(\$0.1 M - \$0.2 M)	(\$0.1 M - \$0.2 M)
Madison County	(\$0.4 M - \$0.7 M)	(\$0.4 M - \$0.7 M)
Shelby County	(\$0.5 M - \$0.8 M)	(\$0.5 M - \$0.8 M)
<b>TOTAL</b>	<b>(\$2.9 M - \$6.3 M)</b>	<b>(\$3.0 M - \$6.7 M)</b>

*Admissions Tax Replaced with a Supplemental Wagering Tax:* Local units receiving riverboat admissions tax revenue from the French Lick casino are estimated to experience a revenue loss due to the switch from the admissions tax to the replacement supplemental wagering tax. Since local units receiving riverboat admissions tax revenue from casinos other than the French Lick casino would continue to be guaranteed an amount equal to their FY 2002 admissions tax distribution, those local units would not be affected by the change. The estimated revenue loss to local units receiving admissions tax revenue from the French Lick casino is summarized in the table below.

<b>Local Unit</b>	<b>FY 2014</b>	<b>FY 2015</b>
Orange County	(\$0.28 M - \$0.31 M)	(\$0.28 M - \$0.32 M)
Orleans	(\$0.06 M - \$0.07 M)	(\$0.06 M - \$0.07 M)
Paoli	(\$0.06 M - \$0.07 M)	(\$0.06 M - \$0.07 M)
French Lick	(\$0.13 M - \$0.14 M)	(\$0.13 M - \$0.14 M)
West Baden	(\$0.13 M - \$0.14 M)	(\$0.13 M - \$0.14 M)
<b>TOTAL</b>	<b>(\$0.65 M - \$0.73 M)</b>	<b>(\$0.67 M - \$0.75 M)</b>

**State Agencies Affected:** Indiana Gaming Commission, Indiana Horse Racing Commission, Department of State Revenues, Indiana Economic Development Commission.

**Local Agencies Affected:** Local Units with Riverboat and Racetracks.

**Information Sources:** Indiana Gaming Commission, Annual Report FY 2011-FY 2012; State Budget Agency, Build Indiana Fund Report FY 2011; OFMA, Casino Data; Revenue Technical Committee Forecast (December 17, 2012); Pennsylvania Gaming Control Board, Gaming Revenue Reports, FY 2010-FY 2012; New Jersey Casino Control Commission, Annual Report 2009-2011.

**Fiscal Analyst:** Randhir Jha, 317- 232-9556.